

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 2451

Assembly Member Salinas (As proposed to be amended)

Position:

Support (Staff recommendation)

Sponsor:

FACCC

Proponents:

CFT, CRTA

Opponents:

None known

SUMMARY

Assembly Bill 2451 provides a part-time community college district employee covered by an alternative retirement plan, including the Cash Balance (CB) Benefit Program, and who retires after January 1, 2004 with a credit to his or her CB Benefit Program or alternative retirement plan account for each day of accumulated or unused sick leave that the employee would be entitled to receive on his or her last day of employment.

HISTORY

Chapter 1006, Statutes of 1998 (AB 1102—Knox) extends eligibility to receive credit at retirement for unused sick leave to members of the CalSTRS Defined Benefit (DB) Program who became members on or after 7/1/80 and who retire on or after 1/1/98.

CURRENT PRACTICE

Under current law, participants in alternative retirement plans are not required to receive credit in their retirement accounts for unused sick leave and other leaves of absence, and there is no provision for participants in the CB Benefit Program to receive such a credit in their account. DB Program members are, however, credited service for their unused sick leave at retirement. The unused sick leave credited to the DB Program member's account is equal to the number of days of accumulated and unused leave of absence for illness or injury divided by the number of days of service (which cannot be less than 175 days) the employer requires the member to perform in a school year during the member's final year of creditable service. For example, a member who accrued ten days of unused sick leave and was required to work 180 days per year would be granted .056 years of additional service credit ($10/180 = .056$). Employers contribute an amount equal to .25 percent of each DB Program member's creditable earnings to pay the cost of crediting unused sick leave at retirement.

Currently, part-time community college instructors who accumulate unused sick leave lose these credits at retirement. Consequently, in order to take advantage of the unused sick leave credits

prior to retirement, many employees take unplanned leave by calling in sick. According to the bill's sponsor, this costs districts significant amounts of money in lost staff time, replacement staff hours and canceled hours.

DISCUSSION

This bill requires community college districts to contribute a specified amount to the accounts of part-time community college district employees who are covered by an alternative retirement plan, including the CB Benefit Program, upon retirement after January 1, 2004, based on the value of his or her unused sick leave. (The proposed amendments would clarify that this provision applies to any participant in an alternative retirement plan, not just one who participates in the CB Benefit Program.) The amount credited would equal four percent of the employee's highest hourly pay during his or her employment with the district, multiplied by the total number of hours of accumulated and unused leave of absence for illness or injury. A four percent employer contribution rate is consistent with the minimum employer contribution rate in the CB Benefit Program. Providing a credit to part-time community college participants is consistent with the treatment of benefits of part-time DB Program members, who currently receive service credit for unused sick leave at retirement.

The author's intent is to provide credit for unused sick leave at retirement for part-timers that is comparable to the DB Program's unused sick leave credit. A precise matching benefit would not be possible because the DB Program member receives additional service credit, while the credit provided in CB Benefit Program and alternative retirement plans is always cash. However, the formula proposed in this bill closely approximates the value of unused sick leave credit provided in the DB Program at retirement. The provisions of this bill would only apply to part-time employees who receive sick leave credit (i.e., unused leave of absence for injury or illness for which salary is allowed). This would provide a greater retirement benefit for those part-time employees who are paid while on sick leave and do not use the entire balance of their accrued sick leave.

Based on data reported to CalSTRS as of June 30, 2001, approximately 47,000 part-time faculty teach in California's community colleges. Of that total, CalSTRS estimates that between 20,000 and 30,000 participate in an alternative retirement plan subject to this bill. CalSTRS has no information, however, on how many of these part-time instructors accrue sick leave credit from their employment.

FISCAL IMPACT

Benefit Program Costs – Any costs to the CB Benefit Program would be paid by increased employer contributions.

Administrative Costs – The total one-time costs to make changes to the System's information technology systems to accept additional payments from employers would exceed \$150,000. Ongoing costs would be minor and absorbable.

RECOMMENDATION

Support. This bill would provide part-time community college instructors an opportunity to receive additional credit for unused sick leave and unused leaves of absence at retirement.